

ABSTRACT

The Indian Automobile industry is seventh largest in the world with an annual production of 3.5 million units in 2010 (OICA, 2010). India is also the world's fourth largest importer of oil. Due to recent fluctuations in fuel prices, fuel economy has become increasingly critical among other factors. As a result, the auto industry is experiencing new demand patterns among their vehicle inventory: demand for high-consumption vehicles is down, and demand for fuel-efficient vehicles is up (sibdari 2010). The present study based on the data from 2008-2011 finds that the effect of fuel prices on passenger vehicle sales has been negative.